14.772: Development Economics: Macroeconomic Issues

Lectures: Tuesday 2:30 - 4:00pm, Thursday 2:30 - 4:00pm, E52-532

Recitations: Thursday 12:00-1:00pm, E51-151

Instructors: Abhijit Banerjee, E52-540, banerjee@mit.edu
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Teaching Assistant: Jacob Moscona, 917-547-2362, moscona@mit.edu (Office Hours: Thursdays 9:00-10:30am or by appointment)

Website: https://learning-modules.mit.edu/class/index.html?uuid=/course/14/sp20/14.772#info

Grading: 30% Problem Sets (Banerjee/Balboni/Olken Sections), 30% Research Proposal & Presentation (Townsend Section), 30% Exam, 10% Participation

Banerjee Section
(Lectures 2/4-2/20, 3/17-3/19)

Understanding TFP (AB, 2/4, 2/6)


Bils, Mark and Peter Klenow (2000), "Does Schooling Cause Growth?" American Economic Review,


Karlan, Dean, Robert Osei, Isaac Osei-Akoto and Chris Udry “Agricultural Decisions after Relaxing Credit and Risk Constraints” Quarterly Journal of Economics. 129(2), May 2014


Caselli, Francisco and James Feyrer, “The Marginal Product of Capital”, mimeo LSE.


**Growth theory without aggregation (AB, 2/11)**


Banerjee, A.V. and A Newman, “Inequality, Growth, and Trade Policy”

Topalova, Petia, “Trade Liberalization, Poverty, and Inequality: Evidence from Indian Districts”, mimeo, IMF. Link.

*Buera, Francisco, Joe Kaboski and Yongseok Shin, “Finance and Development: A Tale of Two Sectors”, m


**Non-market macroeconomics I: Matching (AB, 2/13)**


*Ariely, Dan, Guenter Hitsch and Ali Hortascu, Matching and Sorting in Online Dating (pdf), American Economic Review, 100(1), March 2010.


**Poverty traps (CB, 2/20)**


Matsuyama, Kiminori (2002) “On the Rise and Fall of Class Societies,” CIRJE F-Series CIRJE-F-173, CIRJE, Faculty of Economics, University of Tokyo. [Link.]


**Non-market macroeconomics II: Networks (AB, 3/17, 3/19)**


*Cai, Jing, and Adam Sziedl, “Interfirm Relationships and Business Performance”, forthcoming, Quarterly Journal of Economics


*Banerjee, Abhijit, Arun Chandrasekhar, Esther Duflo and Matthew O. Jackson Using gossips to spread information: Theory and evidence from two randomized controlled trials (with), NBER working paper w20422 [forthcoming at The Review of Economic Studies]

* Banerjee, Abhijit, Emily Breza, Arun Chandrasekhar and Ben Golub When less is more: Experimental evidence on information delivery during India’s demonetization, Working Paper, 2019.
Townsend Section
(Lectures 2/25-3/12, 3/31-4/16)

Lecture 1: Interpreting Experiments through Structural Models (2/25)


Abhijit Banerjee, Emily Breza, Robert Townsend, Diego Vera-Cossio. 2019. Access to credit and productivity: Evidence from Thai Villages


**Lecture 2: Scaling Up RCTs (2/27)**


*Ji Yan and Robert M. Townsend, Bank Branch Expansion vs International Capital Flows: Integrating Local Spatial Markets and Macro Aggregates, 2018


Buera, Kaboski, Shin. “Macro Perspective on Assets Grant Program: Occupation and Wealth Mobility, AER, May 2014


Hsiao, Allan. “Targeting Infrastructure Investment: Evidence from School Construction in Indonesia.” July 2019


**Macro gifting natural experiments**


Macro and regional economies and aggregate effects


Lecture 3: Choosing Models, getting by with less Structure: Sufficient Partial Identification and Aggregation (3/3)


Intermediate Approaches


Parallels in the US


Quantifying the Losses from International Trade Spencer G. Lyon New York University Michael E. Waugh New York University and NBER March 2019

Lecture 4: Just execute RCT, IV, Diff-in-Diff? Some Cautionary Tales (3/5)


Lecture 5: Building from Below, Risk Sharing without Obstacles as Key Benchmark and Networks (3/10)

Basic Risk-Sharing


In the US


Networks and Supply Chains in the US and other Economies


**Risk Sharing in the US**


**Lecture 6: Building from Below: Identifying Real Underlying Obstacles (3/12)**


*In advanced economies...*


Limited Commitment as an Obstacle


Lecture 7: Where Structure is Needed, or Not: Imperfect Competition and Finance (3/31)


Related literatures and in other countries


And in Macro...


Lecture 8: Multiple Obstacles in Economy-Wide Models: Realistic vs Ad Hoc, with Policy Implications (4/2)


Flow of Funds Within and Across Countries


Lecture 9: Life Cycle Models and Data; Behavior and RCT Interventions; With Insurance Limits, Credit Constraints and Transaction Costs for Liquidity, Life Cycle as Basis for Models of Growth and Inequality (4/7)

"Extraordinary Financial Lives of Ordinary People,” Chapters 3 and 4, case studies, life cycle planner


Life Cycle Models With Limited Insurance


With Credit Constraints


**Student Presentations (4/9)**

**Guest Lecture: Martin Beraja (4/14)**


**Student Presentations (4/16)**

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**Balboni Section**

*(Lectures 4/21-4/23)*

**Environment (2 lectures, 4/21-4/23)**

Readings TBD.

**Olken Section**

*(Lectures 4/28-5/12)*

**Infrastructure (2-3 lectures, 4/28-5/5)**


Infrastructure and Productivity


Subsidies and Pricing


Distributional effects


Urban and development (2 lectures, 5/5-5/7)

Agglomeration and the Rise of Cities in Development


**Transportation in Developing Countries**


**Industrial Policy (1-2 lectures, 5/7-5/12)**


**Time permitting: The Resource Curse**

• Macro level
• Micro level
